



Executive Summary

THIS ANNUAL PUBLICATION contains long-term population, labor force, employment, and personal income projections for Washington State. The Office of Financial Management (OFM), Forecasting Division, and the Employment Security Department, Labor Market and Economic Analysis Branch jointly prepare the labor force and employment projections. The forecast horizon extends from 2002 to 2027. The medium-term forecast for the 2002-2005 period is consistent with the February 2003 Economic and Revenue Forecast Council official state economic forecast.

The 2001 national recession is a production-side recession, led by the bursts of business capital investment and equity market bubbles; while consumer spending and housing remain healthy. The recovery is expected to be a slow and weak one, because many factors that traditionally lead the recovery, such as housing, sales of consumer durable goods, and lower interest rates were not significantly affected by this recession and thus cannot provide much stimulus needed for a vigorous rebound. In addition, the recovery was disrupted by the 2003 Iraq war. On the production side, low capacity utilization rates and slow improvement in corporate profits had delayed a significant pickup in business capital investment until the second quarter of 2003.

Washington Population, Labor Force, Employment, and Income

	Population (1,000)	Labor Force (1,000)	Employment (1,000)	Per Capita Income (1996\$)
1970	3,413	1,417	1,080	14,999
1980	4,132	1,985	1,609	19,695
1990	4,867	2,537	2,142	23,270
2000	5,894	3,045	2,711	29,371
2010	6,650	3,489	3,025	34,207
2020	7,547	3,895	3,449	41,908
2027	8,139	4,178	3,707	47,621

Population

- **Washington's population will increase 35 percent by the year 2027.** In 2002, about 6.0 million people lived in the state. The state population is expected to increase 2.1 million over the next two decades, reaching 8.1 million by 2027.
- **Aging of the population will be the most important demographic phenomenon in the next few decades.** In 2002, 11.2 percent of the Washington population was age 65 and over. By 2027, this age group is projected to account for 18.8 percent of total state residents. Most of the increase in the elderly population will take place after 2010, when the Baby Boom generation starts entering this age group.

Labor Force

- **Washington's total labor force will increase 37 percent between 2002 and 2027.** This amounts to a gain of 1.13 million workers, from 3.05 million in 2002 to 4.18 million by 2027.
- **The labor force participation rate will be about the same in 2027 as it is today.** In 2002, the labor force participation rate in Washington was 66.4 percent; the rate is projected at 66.5 percent by 2027. After 2010, the Baby Boom generation will start entering into retirement age and leaving the labor force; this negative effect on labor supply will be offset by the trends of delayed retiring and continuing increase in female labor force participation.
- **Washington's labor force will become more diversified in terms of age, sex, racial, and ethnic compositions.** By 2027, 48 percent of the state labor force will be female; workers over age 55 will represent about 20 percent of all state workers, substantially higher than the 13 percent share in 2002. Share of non-white workers in the state labor force is expected to rise from 12.7 percent in 2002 to 15.5 percent in 2027.

Employment

- **Between 2002 and 2027, 1.05 million non-farm jobs will be added to the Washington economy.** Employment in the state is expected to increase at an average annual rate of 1.3 percent over the next 25 years, from 2.65 million in 2002 to 3.71 million by 2027.
- **Most of the projected employment growth will be in retail and services industries.** From 2002 to 2027, trade and services are predicted to account for about two-thirds of total job increase in the state. Employment in the goods-producing sectors (i.e., manufacturing, mining, and construction) will increase moderately due mainly to the anticipated productivity growth; by 2027, these sectors will account for only 14.8 percent of total jobs in the state.
- **Washington's economy will become increasingly diversified.** For decades, state employment was highly concentrated in defense, aerospace, and timber industries. Booms and busts in these industries likely would induce the same conditions in the overall state economy. The growing importance of trade and services employment in the future will lead to a more diversified and stable economic growth for the state.

Personal Income

- **Washington's total personal income will increase 126 percent between 2002 and 2027.** In 1996 dollars, total personal income in Washington amounted to \$178.5 billion in 2002, and is projected to reach \$403.4 billion by 2027.
- **Per capita income in Washington will remain above the national average.** In 2002, per capita income in the state was estimated at \$32,747, 2.6 percent above the national average. The projected state per capita income in 2027 will be, inflation adjusted, 68 percent higher than the 2002 level, and 0.9 percent above the forecasted national average.